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JANUARY 22, 1990

Efforts Made To Ease Calif. RV Licensing

An industrywide campaign involving RVIA, local dealer associations and TL Enterprises Inc. (TLE) is under way to ease special driver-licensing regulations that have been issued by the California Department of Motor Vehicles (DMV).

The licensing issue garnered public attention and industry involvement early in 1989, when the DMV began sending notices to California drivers indicating that they must apply for commercial Class A licenses if they tow recreational trailers with a gross vehicle weight rating (gvwr) of more than 10,001 pounds.

California DMV officials later corrected that gvwr figure to 9,000 pounds. And, just before the issuance of the new licensing procedures, officials made yet another correction to the weight limits, stating that licensing requirements affect recreational trailers with a gross weight, not a gvwr, of more than 9,000 pounds.

After a period of uncertainty, during which it appeared that recreational trailerists would still be subjected to stringent tests designed for commercial truckers, the DMV announced last December that it had formulated new written and driving-skills tests designed specifically for recreational trailerists. However, RV-trailer towers would still be required to pass a medical examination that was originally designed for commercial truckers, DMV officials confirmed.

Carole Waggoner, director of the DMV's Policy and Programs Division, who met last December with staff members of TLE

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NO RV TAX: The American Recreation Coalition has won an assurance from the Bush administration that an excise tax on RVs will not be included in fiscal 1991 budget proposals. See the story below.

Excise Tax on RVs Blocked

Aggressive lobbying, spearheaded by the American Recreation Coalition (ARC) on behalf of a range of recreation-industry interests, has won assurance from the Bush administration that proposed excise taxes on recreational vehicles will not be included in the budget proposals for fiscal 1991.

Despite the administration's decision to abandon the tax proposal, however, industry sources remain concerned that, now that the excise-tax idea has garnered public attention, some form of the proposal could reappear later this year as Congress seeks revenue sources to trim the budget deficit.

The specter of a tax on RVs first arose in late December when a *Washington Post* newspaper story reported that excise taxes on recreational products, ranging from 1% to 2.5%, were being proposed by the Office of Management and Budget (OMB) to help pay for some $588 million in environmental and recreation programs planned for the 1991 fiscal year.

The new taxes would have affected purchases of RVs, off-road vehicles, camping equipment and pleasure boats. And it was reported that RVs would be subject to the higher, 2.5% excise tax.

According to the *Post* article, President Bush, despite his

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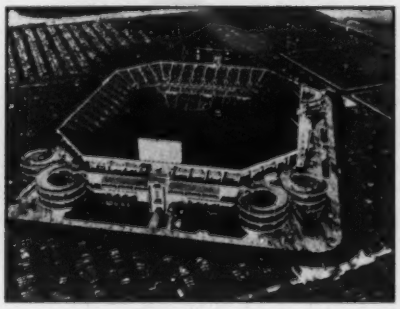

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OCTOBER '89 RV SHIPMENTS MADE LITTLE HEADWAY

MORTON J. MARCUS

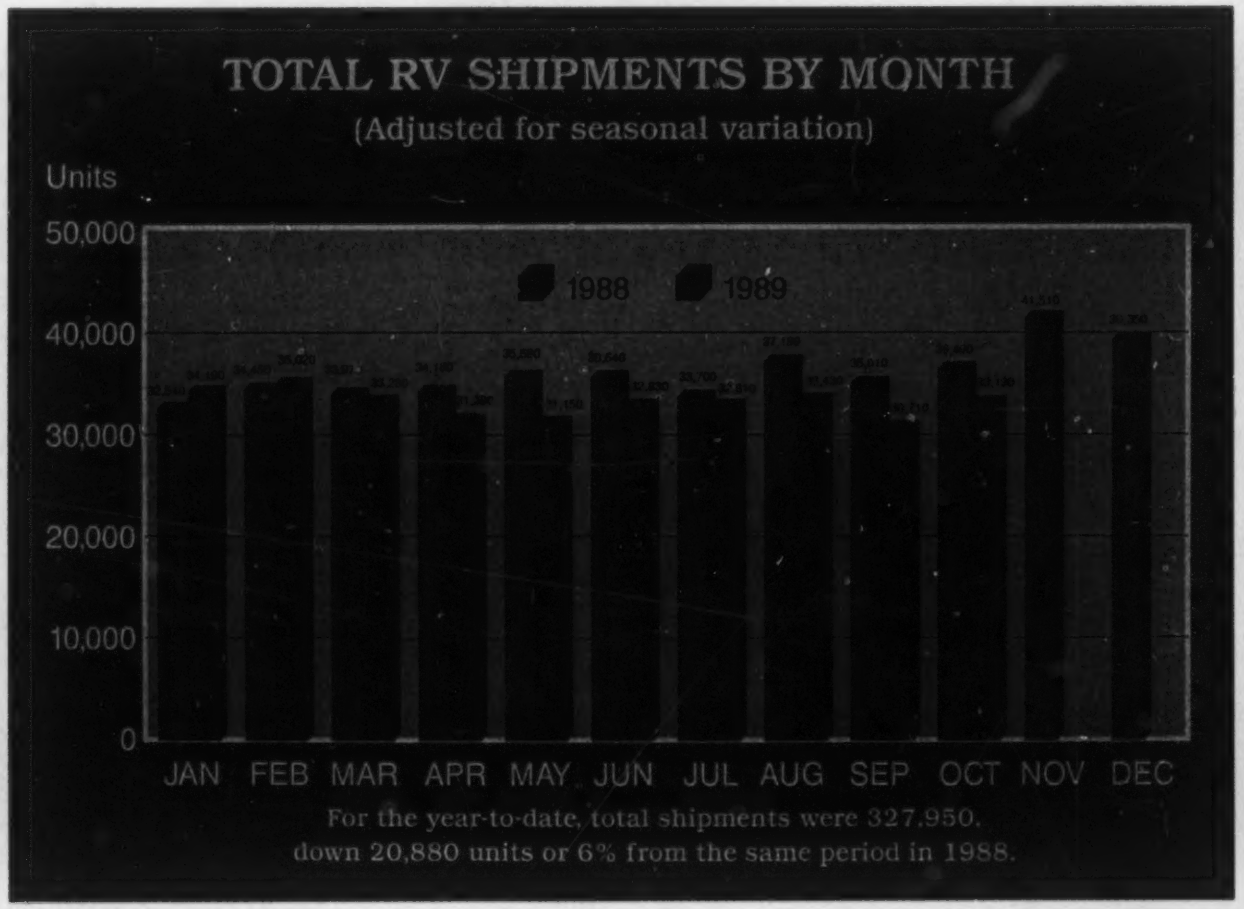


Figure 1

Sometimes we don't seem to get anywhere, although we keep moving. The industry is not stalled; it keeps rolling ahead, but the pace is unchanged. And, that is the catch. When you have gone faster, a slower, steady pace can be frustrating. Sharp accelerations followed by quick decelerations only add to the frustration of the seeming lack of progress. Such is the American RV market these days.

After their September 1989 dip, RV shipments came back in October to the narrow range of variation in which they have stayed since March 1989. *(See Figure 1.)* After adjustment for seasonal factors, total shipments in October 1989 reached 33,130 units, *up* 2,420 units from September. This was a healthy gain of nearly 8%.

Before you look for dramatic increases in the value of your RV-company stock holdings, however, note that this gain could be attributed almost exclusively to van conversions. *(See Figure 3.)*

The volume in these units has been bouncing from month-to-month. In September of '89, van conversions were down by 2,820 units and swamped the modest gains made by other types of RVs. But last October, van conversions were up by 2,350 units, or 97% of the gain by all RVs for that month.

Obviously, conversions are a volatile element in the market at this time. Their wide swings have made the entire industry appear to be on a roller-coaster ride. Actually, in the July-through-October period of 1989, motorhomes showed almost no variability, while towables were also stalled for the four months.

GRAPHICS: CUSTOM COLOR VISUALS

RVIA SHIPMENTS

What the October '89 figures showed was the eighth consecutive month in which total shipments have been below those of the same month in 1988. This put 1989's cumulative deficit at approximately 21,000 units, or 6% below 1988. As Figure 3 reveals, most types of RVs were off their 1988 paces by the end of last October. The exceptions were van conversions (up by less than 1%) and park models, which advanced by less than 500 units (or 7.6% on small volume).

The Detailed View

The month-to-month differences seen in Figure 3 are so small in most cases that they do not deserve detailed analysis. Given the vagaries of reporting on the part of individual firms and the effects of seasonal adjustment, these differences are too small to merit serious attention. Basically, the RV market for October '89 was, except for van conversions, unchanged from September.

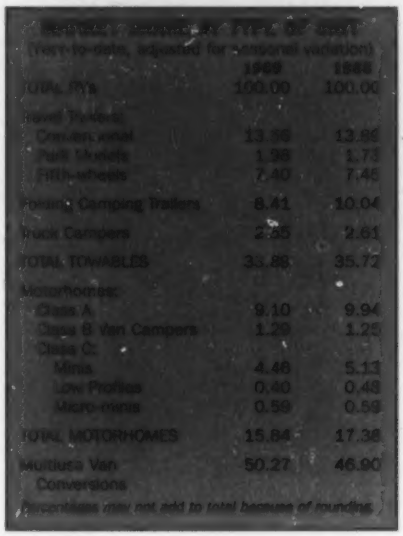
The year-to-date numbers in Figure 3, however, do deserve attention. Every type of motorhome was down for the year as of October 1989. Class A units were off by almost 14%, and Class B van campers dropped 3%. As a group, Class C units did not even total the number of Class C mini-motorhomes shipped at the same point in time in 1988; in fact, Class C motorhomes as a group were down by 17.2%, or more than 3,700 units.

Since April of '89, motorhomes as a group have traced a path every month that was below that of the same months in 1986, 1987 and 1988. It appears that motorhomes will fall 10,400 units behind their 1988 pace by the end of 1989, if this trend holds.

Although motorhome shipments held steady for the three months preceding October '89, the downward trend in motorhomes otherwise ran almost uninterrupted since October 1988.

Towables shipments showed a very similar pattern. They held steady during the July-October period of 1989 after suffering a strong downward movement during the first half of 1989. It is possible that towables shipments for 1989 will exceed total shipments for 1986, but not the totals for '87 or '88. Based on the data as of last October, towables could end up 16,100 units below their 1988 level by the end of '89.

Folding camping trailers accounted for more than 55% of the shortfall in total towables shipments for the '89 year-to-date. Fold-downs also accounted for nearly 90% of the loss in market share experienced by towables through last October. *(See Figure 2.)* As a group, towables had about one-third of the market in October; by way of comparison, towables had held 40% of the RV market as recently as the early months of 1988.



(Year-to-date, adjusted for seasonal variation)	1989	1988
TOTAL RVs	100.00	100.00
Towed Towables:		
Conventional	13.56	13.86
Park Models	1.96	1.73
Fifth-wheels	7.40	7.46
Folding Camping Trailers	8.41	10.04
Truck Campers	2.55	2.61
TOTAL TOWABLES	33.88	35.72
Motorhomes:		
Class A	9.10	9.94
Class B Van Campers	1.29	1.25
Class C:		
Minis	4.46	5.13
Low Profiles	0.40	0.48
Micro-minis	0.59	0.59
TOTAL MOTORHOMES	15.84	17.38
Multiplex Van Conversions	50.27	46.90

Percentages may not add to total because of rounding.

Figure 2

Van conversions remained at 50% of the total market in October 1989, although their volatility made their monthly market share bounce wildly in '89. In the 12 months preceding last October's reading, conversions had been over the 50% mark seven times; their high point was in November 1988, when they had more than 56% of the market, while their low came in April '89, with only a 44% market share.

Yet van conversions for all of 1989 are unlikely to match 1988's total. The big gains in market share in '89 were more the result of weakness in other segments of the market, rather than a strong performance by conversions. For the year, the trend indicates a 1989 decline of perhaps 10,000 units from 1988, for an '89 conversion-shipments total of less than 200,000 units.

No News

Next month, our analysis will be able to deal with November 1989 shipment figures. Be forewarned: Those figures could *look* terrible. Remember, in November 1988, we saw a huge (5,000-unit) swell in van conversions. That bulge, and another in December of the same year, distorted the entire fourth quarter of '88. If November '89 shipments advance at the same average monthly rate as they have for 1989 (which has been 32,800 units), the reports will show an addition to the year-to-date deficit of 8,700 units. This will bring 1989's running total to approximately 30,000 units below the tally for 1988.

All that will be dramatic, but it will not be news. The pattern for 1989 was set months earlier; there has been little improvement or deterioration since March of 1989. Δ

Morton J. Marcus is the director of the Indiana Business Research Center at Indiana University School of Business, where he is also a member of the faculty. Marcus specializes in using statistics to identify economic trends.

RV SHIPMENTS BY TYPE OF UNIT

(Adjusted for seasonal variation)

Type of Units	Oct 1989	Change From Sep 1989 Number	%	Year-to-Date 1989	1988	Change Number	%
TOTAL RVs	33,130	2,420	7.9	327,950	348,000	-20,050	-6.0
TOTAL TOWABLES	11,080	130	1.2	111,150	127,250	-16,100	-12.6
TOTAL MOTORHOMES	4,530	-60	-1.4	51,940	60,650	-8,710	-14.3

Figure 3

SEPTEMBER '89 RV SALES CONTINUED DOWNWARD TREND

THOMAS WALWORTH

East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin; **Mountain**: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming; **Northeast**: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont; **Pacific**: Alaska, California, Oregon, Washington, Hawaii; **South Atlantic**: Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia; **West North Central**: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota; **South Central**: Texas, Oklahoma, Arkansas, Louisiana, Tennessee, Mississippi, Alabama.

September 1989 capped off a down third quarter for the RV industry last year. The motorhome market had fallen behind by 7.26% for the year-to-date in September 1989, while cumulative RV-trailer sales were down by 7.69% compared with the first three quarters of 1988.

The motorhome market (defined as including Class A's, Class A wide-bodies, conventional Class C's and Class C microminis) also declined 7.54%, or 387 units, in September '89 when compared with the previous September's tally.

Figure 1 ranks the regions of the country according to the percentage change in September '89 motorhome registrations compared with the same month in '88. In the leading South Atlantic region, Florida recorded the largest percentage gain in the market based on a comparison with September 1988. But part of the gain for Florida was due to the addition of delayed registrations. The East North Central states were at the bottom of the ranking, and Michigan reported the largest decline among those states.

As mentioned earlier, a year-to-date comparison with the first nine months of 1988 found the motorhome market down by 7.26%, or 3,486 units. The regions of the country are ranked in Figure 2 according to the percentage change for the first three quarters of 1989 compared with the same period in '88. The South Central region topped the rankings, with Texas having the largest percentage increase. The Mountain region trailed the pack, and Arizona reported the largest sales decline for the year-to-date in that region.

The September 1989 market for RV trailers (which is defined as including conventional travel trailers, fifth-wheels, fold-downs and park models) fell by 12.87%, or 1,295 units, compared with September '88.

MOTORHOMES, SEPT. '89

Sept. '89 Rank	Region	% of Change From Sept. '88	Aug. '89 Rank
1	S. Atlantic	25.9	7
2	S. Central	4.5	1
3	Pacific	–12.5	3
4	Northeast	–13.9	4
5	Mountain	–17.2	6
6	W.N. Central	–18.6	5
7	E.N. Central	–21.4	2

Figure 1

MOTORHOMES, YEAR-TO-DATE

Sept. '89 Rank	Region	% of Change Year-to-date	Aug. '89 Rank
1	S. Central	–1.6	1
2	Pacific	–6.2	3
3	W.N. Central	–6.4	2
4	E.N. Central	–7.8	4
5	S. Atlantic	–8.6	7
6	Northeast	–8.8	5
7	Mountain	–12.5	6

Figure 2

RV TRAILERS, SEPT. '89

Sept. '89 Rank	Region	% of Change From Sept. '88	Aug. '89 Rank
1	S. Atlantic	15.9	7
2	S. Central	–5.0	1
3	Pacific	–9.5	6
4	W.N. Central	–10.4	3
5	Northeast	–20.5	4
6	Mountain	–24.2	2
7	E.N. Central	–29.0	5

Figure 3

RV TRAILERS, YEAR-TO-DATE

Sept. '89 Rank	Region	% of Change Year-to-date	Aug. '89 Rank
1	S. Central	– .6	1
2	Mountain	–3.5	2
3	S. Atlantic	–6.1	5
4	W.N. Central	–6.4	3
5	Pacific	–7.0	4
6	E.N. Central	–10.9	6
7	Northeast	–13.6	7

Figure 4

GRAPHICS: CUSTOM COLOR VISUALS

AT RETAIL *continued*

Figure 3 shows the national regions ranked by their September '89 percent change from the same month a year earlier. The East North Central region lagged all others in terms of percentage change in trailer sales compared with the previous September, with Ohio having the largest drop for the month in that region. The South Atlantic area was highest-ranked in terms of the percent change in trailer sales for the month, and Florida experienced the largest increase in the region. However, Florida processed a number of delayed registrations last September, which caused the large jump for the month, so that the year-to-date figures probably reflected a more accurate picture of the Florida RV-trailer market.

Overall, September 1989 was somewhat softer than expected in terms of retail sales. In the Midwest, RV-trailer volume seemed to have taken a larger share of the overall decline.

For the year-to-date, last September's RV-trailer market slipped behind the first three quarters of 1988 by 7.69%, or 7,813 units. Figure 4 lists the national regions according to the percentage change in '89 year-to-date registrations compared with the first nine months of '88. In that ranking, the South Central region came in first, with Oklahoma recording the largest percent increase in the region. The Northeast region took last place, and Maine had the largest decline there.

Overall, September 1989 was somewhat softer than expected in terms of retail sales. In the Midwest, RV-trailer volume seemed to have taken a larger share of the overall decline. However, the last quarter of 1989 still had the potential to bring year-end sales numbers even with 1988, which was an excellent retail year, so that manufacturers had to carefully monitor field inventory to avoid either overloading dealers with product or letting lot inventories drop too low. As a result, the restock period is likely to increase in 1990. Δ

Thomas Walworth is general manager of Statistical Surveys Inc., Grand Rapids, Mich., which has reported retail statistics for 30 years to the RV industry. Statistical Surveys is an acknowledged leader in the RV statistical field.

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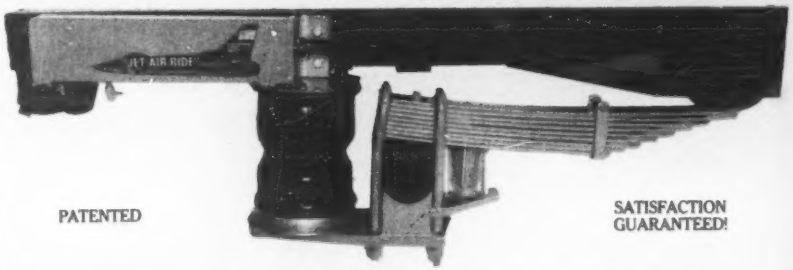

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